

Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage

EUROZ

Analyst	Date	Price Target
Seth Lizee	10 th September 2019	\$0.13/sh

Initiation of Coverage

Investment case

Geodis agreement provides third party validation price, pullback an opportunity

Yojee's 3 year master services agreement with top 10 global logistics leader, Geodis provides a significant third party 'tick' for the Yojee (YOJ) Software as a service (Saas) offering. Geodis is a French based global logistics company with a network spanning 120 countries delivering around 100 million parcel per annum. In 2018 the company produced €8.2b in revenue. The fact that a company like Geodis, after an extensive search, have signed a commercial agreement with YOJ signals to us that the YOJ software stands up to that of their global competitors. When this agreement was first announced the YOJ shareprice ran up strongly. The subsequent pullback in price provides a good entry level in our view.

What does the Yojee Software do?

YOJ's software both tracks and optimises end to end supply chains across the network of participants in the land transport sector. It utilises machine learning and artificial intelligence (AI) to assist large or small operators to create seamless virtual logistics networks to better manage and grow their last mile delivery capability. This is especially significant for logistics operations in the rapidly growing south east Asian market due to the often poorly developed 'on ground' assets of the global logistics players. By deploying YOJ software large logistics companies can better link and monitor their services with subcontractors down the line. It also provides smaller operators the ability to flex up and down their delivery fleet with parcel demand rather than carrying surplus capacity and enable connectivity via API's into new work opportunities plus accounting systems to further reduce operating costs.

Catalysts - new Saas agreements, Geodis agreement to drive material revenue

The most likely short-term catalyst for YOJ in our opinion would be a new Saas agreement with a credible 3rd party the ilk of Geodis. In the medium term we see the Geodis agreement driving material revenue. On our forecast pricing structure and an assumed ultimate penetration of 80% of Geodis's business we see the revenue opportunity for the Geodis agreement as being up to A\$14.6m per annum. (ref, Financials Section)

Valuation

Our Price target for YOJ is \$0.13/sh which equates to 44% from current levels. We derive this figure via a blend of discounted cashflow analysis and an Enterprise Value (EV)/Revenue multiple methodology. We note that should YOJ be successful in landing new commercial Saas agreement with reputable 3rd parties YOJ's valuation could track ahead of our current price target.

Yojee Ltd	Year End 30 June	
Share Price	0.090	A\$/sh
Price Target	0.13	A\$/sh
Valuation (DCF)	0.11	A\$/sh
WACC	12.0%	
Terminal Growth	3.0%	
Shares on issue	923.6 m,	diluted
Market Cap (Fully diluted)	85.2	A\$m
Enterprise Value	81.8	A\$m
Debt FY'19	-	A\$m
Cash FY'19	3.4	A\$m

Key Financials	2019a	2020f	2021f
Revenue (A\$m)	1.4	1.7	6.8
EBITDA (A\$m)	-3.7	-3.7	-0.9
EBIT (A\$m)	-3.7	-3.7	-0.9
Reported NPAT (A\$m)	-4.4	-1.1	0.1
Normalised NPAT (A\$m)	-3.7	-4.3	-1.2
Gross Cashflow (A\$m)	-4.1	-1.1	0.1
Capex (A\$m)	-1.9	-1.9	-1.9
Op. Free Cashflow (A\$m)	-6.3	-3.2	-1.8
Revenue Growth (%)	99%	26%	289%
EBITDA Growth (%)	na	0%	76%
Norm. NPAT Growth (%)	35%	-17%	73%
Normalised EPS (Ac)	-0.40	-0.46	-0.12
Norm. EPS growth (%)	41%	14%	73%
PER (x)	-22.4	-19.6	-72.2
EV:EBITDA (x)	-22.0	-21.9	-92.5
EV:EBIT (x)	-22.0	-21.9	-90.9
DPS (cps)	0.00	0.00	0.00
Dividend Yield (%)	0.0%	0.0%	0.0%
Net Debt (A\$m)	-3.4	-2.2	-0.4
Net Debt:Equity (%)	net cash	net cash	net cash
Interest Cover (x)	na	na	na

Share Price Chart



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Financial Statements	2019a	2020f	2021f	Performance Ratios	2019a	2020f	2021f
Income Statement				Growth & Margins			
Revenue	1.4	1.7	6.8	Revenue Growth	99%	26%	289%
COGS	0.0	0.0	0.0	EBITDA Growth	na	0%	76%
(-) OPEX	-5.1	-5.5	-7.7	EBIT Growth	35%	-1%	76%
EBITDA	-3.7	-3.7	-0.9	Normalized Net Profit Growth	35%	-17%	73%
Depreciation & amortisation	0.0	0.0	0.0	EBITDA margin	-270.2%	-214.5%	-13.1%
(+/-) Abnormals pre tax	0.0	0.0	0.0	EBIT margin	-270.2%	-215.2%	-13.3%
EBIT	-3.7	-3.7	-0.9	Normalized net profit margin	-270.2%	-249.6%	-17.4%
Net Interest income/(expense)	0.0	0.0	0.0	Effective tax rate	0%	70%	112%
Associates	0.0	0.0	0.0	Liquidity			
Other income/(expense)	0.0	0.0	0.0	Capex/depreciation (x)	na	161.4	125.3
Abnormal items (pretax)	-0.7	0.0	0.0	Current ratio (x)	-5.3	-4.2	-1.1
EBT	-4.4	-3.7	-0.9	Quick ratio (x)	-13.4	-13.7	-1.6
Tax expense	0.0	2.6	1.0	Receivable days	37	28	23
Discontinued operations	0.0	0.0	0.0	Inventory days	0	0	0
Minority interest	0.0	0.0	0.0	Payable days	-32	-15	-20
Preference Dividends	0.0	0.0	0.0	Risk Measures			
Reported Earnings	-4.4	-1.1	0.1	Dividend Cover (x)	na	na	na
Adjustments (one off)	0.7	-3.2	-1.3	Payout ratio (%)	0%	0%	0%
Normalized Net Profit	-3.7	-4.3	-1.2	Net interest cover (x)	na	na	na
Dividends	0.0	0.0	0.0	Net debt/equity (%)	net cash net cashnet cash		
Retained earnings	-3.7	-4.3	-1.2	Returns			
Cash flow (A\$m)	2019a	2020f	2021f	Return on average capital employed (%)	-126%	-92%	-23%
Pretax Profit	-4.4	-4.3	-1.7	Return on invested capital (%)	-114%	-20%	2%
+ Depreciation	0.0	0.6	0.8	WACC (%)	12%	12%	12%
+/- associates profit/loss	0.0	0.0	0.0	Return on assets (%)	-43%	-42%	-10%
+ associates dividends	0.0	0.0	0.0	Return on average equity (%)	-68%	-14%	1%
+ Foreign Exchange loss/(gain)	0.0	0.0	0.0	Company cost of equity (%)	12%	12%	12%
- Tax Paid	0.0	2.6	1.0	Share Data/Valuation	2019a	2020f	2021f
+ inc (- dec) in provisions	0.1	0.0	0.0	Share Data			
+/- writedowns/revs	0.0	0.0	0.0	Issued shares (m)	853	877	877
- Profit/+ loss on disposal	0.0	0.0	0.0	Weighted ave shares (m)	810	865	877
+/- Other	0.2	0.0	0.0	Fully diluted shares (m)	924	947	947
Gross Cashflow	-4.1	-1.1	0.1	Basic EPS (c)	-0.5	-0.1	0.0
- Capital expenditure	-1.9	-1.9	-1.9	YoY change (%)	43%	-76%	110%
+/- Changes in working capital	-0.3	-0.2	0.0	Fully diluted EPS (c)	-0.5	-0.1	0.0
Operating Free Cashflow	-6.3	-3.2	-1.8	YoY change (%)	30%	-75%	110%
+/- Acq of subs/other investments	0.0	0.0	0.0	Fully diluted normalised EPS (c)	-0.4	-0.5	-0.1
- Dividends	0.0	0.0	0.0	YoY change (%)	41%	14%	73%
+ Proceeds from equity raised	7.6	2.0	0.0	Dividend cps	0.00	0.00	0.00
+/- Proceeds from disp of subs/FAs	0.0	0.0	0.0	Franking (%)	100%	100%	100%
+/- Minority interests	0.0	0.0	0.0	FCF/share (c)	-0.8	-0.4	-0.2
+/- Other	0.0	0.0	0.0	NBV/share (c)	0.9	0.9	0.9
Net cashflow	1.3	-1.2	-1.8	NTA/Share (c)	0.3	0.2	0.0
Cash at beginning of period	2.0	3.4	2.2	Valuation			
Cash at end of period	3.4	2.2	0.4	PER (Basic) (x)	-16.7	-68.4	706.1
Balance Sheet (\$m)	2019a	2020f	2021f	PER (Fully diluted) (x)	-19.0	-74.9	762.6
Cash	3.4	2.2	0.4	PER (Fully diluted, normalized) (x)	-22.4	-19.6	-72.2
Receivables	0.1	0.2	0.7	P/FCPS (x)	-11.1	-23.5	-43.9
Inventory	0.0	0.0	0.0	Price/NBV (x)	9.2	9.1	9.9
Other financial assets	0.1	0.1	0.1	Price/NTA (x)	25.1	38.7	466.5
Current tax assets	0.0	0.0	0.0	Dividend Yield (%)	0.0%	0.0%	0.0%
Loan receivables	0.0	0.0	0.0	Fully diluted normalized 3 yr EPS Cagr (%)	na	na	na
Current assets	3.6	2.5	1.2	PEG ratio (x)	na	na	na
Receivables	0.0	0.0	0.0	EV	79.7	79.2	81.0
Property, plant and equipment	0.0	0.1	0.1	EV/EBITDA (x)	-22.0	-21.9	-92.5
Goodwill	0.0	0.0	0.0	EV/EBIT (x)	-22.0	-21.9	-90.9
Other Intangibles	5.1	6.3	7.4	EV/Revenue (x)	59.5	47.0	12.1
Other	0.0	0.0	0.0	NPV (A\$/sh)	0.01		
Deferred Tax Assets	0.0	0.0	0.0	WACC (%)	12%		
Non current assets	5.1	6.4	7.5	Other Information			
Total Assets	8.7	8.8	8.7	Major shareholders:			
Payables	0.3	0.2	0.7	Reef Investments			9%
Interest bearing liabilities	0.0	0.0	0.0	Estimated free float (m)			805
Provisions	0.1	0.1	0.1	12-mth High/Low (A\$/sh)			0.14-0.055
Other	0.3	0.3	0.3	Average daily volume (m)			2.14
Current tax liabilities	0.0	0.0	0.0	ASX Code			YOJ
Current Liabilities	0.7	0.6	1.1	Next result			Feb - 20
Payables	0.0	0.0	0.0	Company Description			
Interest bearing liabilities	0.0	0.0	0.0	Yojee's logistics software utilises Artificial Intelligence (AI) and Machine Learning to optimise and manage delivery operations for the Global logistics industry. Yojee's software is provided via a software as a service (SaaS) model to empower small and medium enterprises with the ability to achieve cost efficiencies only the industry giants have enjoyed before, as well as to help large multinationals integrate with SME's for 'last mile' delivery, with a focus on the South East Asian markets			
Provisions	0.0	0.0	0.0				
Deferred tax liabilities	0.0	0.0	0.0				
Non Current Liabilities	0.0	0.0	0.0				
Total Liabilities	0.7	0.6	1.1				
Net Assets	8.0	8.3	7.6				
Contributed equity	25.1	27.1	27.1				
Reserves	0.5	0.5	0.5				
Accumulated profit / (losses)	-17.6	-19.4	-20.0				
Non controlling interests	0.0	0.0	0.0				
Total equity	8.0	8.2	7.6				

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Industry Overview

The logistics industry

The logistics industry encompasses the movement of raw materials through to finished goods between multiple locations, into and out of storage across multiple national and international borders. Put another way, the movement of goods throughout the supply chain.

A simplified illustration of the various links in the supply chain is outlined below:



Source: YOJ AGM Presentation 28/11/2018

There is a vast array of service providers that provide solutions for warehousing and/or transport in isolation or through the entire supply chain.

These industries participants are typically classified into three types:

- First Party (1PL) or in-house service players - typically retailers or manufacturers who transport and store their own goods and for whom the provision of logistics is not a core competency
- Second Party (2PL) - logistics service providers who provide a single transport or warehousing service
- Third Party (3PL) - integrated logistics service providers who provide multiple or all services in the logistics supply chain

Increasing industry complexity drives greater software outsourcing

Like many industries, the incumbent participants in the logistics market are facing an ever increasingly complex and competitive operating environment where the ability to gather and monitor data flows and take real time action is of the utmost importance. This activity is non-core to legacy industry participants and is driving an increased propensity for operators to seek outsourced software solutions.

More specifically to the logistics industry, the rapid growth in retail e-commerce, increased supply chain complexity from manufacturers and the globalisation of these trends sees the modern logistics chain encompass more players, with more freight, across more borders leading to additional regulation and compliance issues.

Logistics software typically streamlines, centralises or replaces legacy spreadsheets, emails, orders etc while giving customers a better capability to gather and analyse real time data and react accordingly.

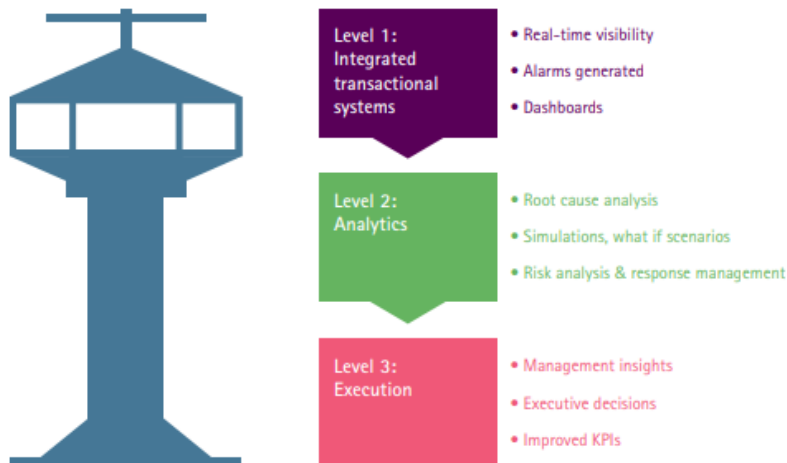
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Below is illustration of the role software plays in the global logistics industry using the metaphor of software acting as a control tower to the supply chain:



Source Accenture: Supply Chain management in the cloud. How can cloud-based computing make supply chains more competitive? 2014

Logistics Software market dynamics

Like most software providers in the present day, the tendency is for logistics software providers is to offer their services to customers on an 'as needed' basis, otherwise known as Software as a service (SaaS). It is also most common for these services to be provided by a cloud hosted platform as opposed to a self-hosted model. This approach generally results in saving the customer the need to provide and maintain significant IT infrastructure. Customers typically pay a base monthly license fee with additional fees charged on a usage basis. YOJ's software solution is delivered in this manner.

The Logistics software market is as competitive, fragmented and diverse as the logistic market it serves. Service providers range from the very large software companies such as SAP and Oracle, to mid-sized groups like ASX listed Wisetech Global, to smaller companies such as YOJ. Some logistics companies also use in-house or self-developed solutions.

The services provided can range from focused single service or country solutions to end to end global logistics software solutions.

YOJ's software offers an end to end solution with the ability to allow efficient management of first mile, container and palletised movements, domestic and line haul, cross border, omni-channel, ecommerce and last mile. This is significant because although many of the larger logistics players have well established 'built out' networks in say the USA and/or Europe, their on-ground infrastructure in the Asian region or other developing markets is often absent or immature. This void is currently filled a vast array of participants that get a parcel off a ship, through a port (national border) and to a customer's home. Our view is that the recent SaaS agreement YOJ has signed with Geodis provides significant 3rd party validation that YOJ's software is leading edge in this regard.

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The YOJ software Concept

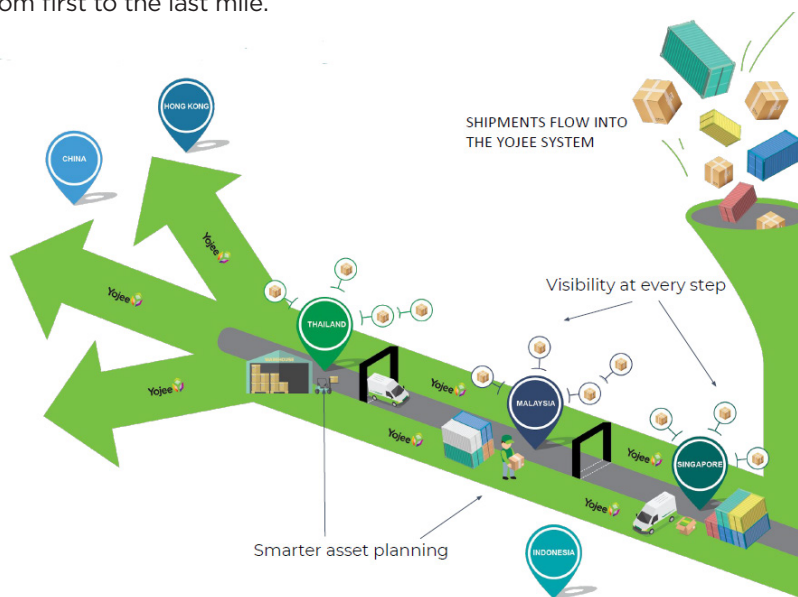
The whole supply chain on one system...

The concept behind the YOJ software was to build a shared delivery network to connect the disparate players in the global logistics market across multiple geographies with a focus on the South East Asian and developing markets.

Historically software solutions to aid in freight tracking and route planning have only been available to the major, global logistics companies. With smaller players in the logistics market (particularly for last mile logistics) often having no software solution. This causes significant parcel tracking and asset utilisation issues.

Even in the case of the major players with some software capability, the siloed nature of the stand-alone system at various links in the supply chain means there are often large information gaps between the sender of freight and the end customer, especially in the Asian region as in country logistics solutions are often extremely disparate.

By implementing the YOJ system across the network the various players in the logistics chain, from the major logistics companies to the smaller players covering the last mile of the chain, gain superior intelligence regarding the movement of future deliveries from the point of origin ahead of time. This allows improved asset planning and parcel tracking from first to the last mile.



Source: YOJ AGM Presentation 23/2/2019

YOJ are also working with credible partners (such as UPS) in integrating blockchain technology into their software offering with the aim of streamlining procurement, document processing and provenance of a parcel across the supply chain.

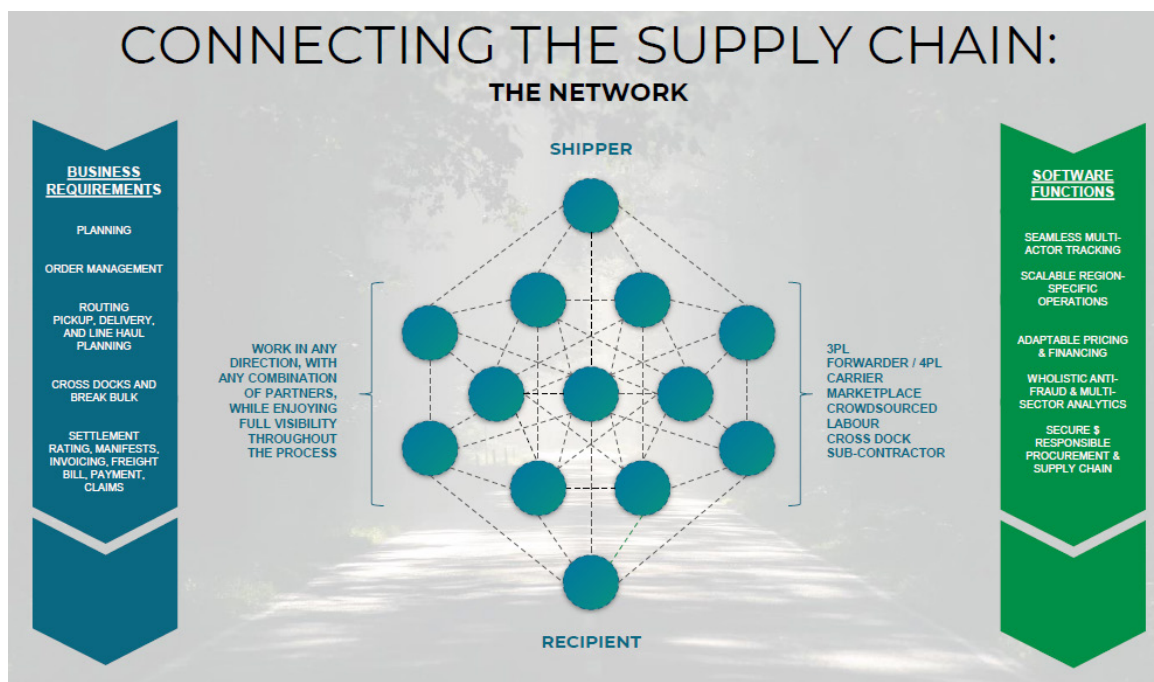
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Using AI and Machine Learning to leverage efficiencies...

An overarching network connecting the logistics industry end to end is immensely complex and will continually spin off a huge volume of data. In order to make use of this information YOJ software employs AI and machine learning to assist the various logistic chain participants to better track parcels and payments and better utilise their assets in response to real time events via dynamic planning and route optimisation.

Below is an illustration of the complex network between product shippers and recipients and the various practical business issues that the YOJ AI function serves to bring together and respond to in real time:



Source: YOJ Presentation 13/02/2019

Why would a Major/Multinational Logistics company use YOJ software?

While the large global players in the logistics industry all have a significant fleet of their own supply chain assets, the recent surge in e-commerce related parcel volumes and variability of those volumes has seen the majors rely on an ever-increasing subcontractor and SME network to deliver parcels. This case is especially so in the emerging Asian geographies where the major logistics companies tend to have less developed assets on the ground.

By deploying YOJ software internally and insisting that their subcontractors and SME partners follow suit, a major logistics company can in effect flex up and down their delivery capacity in response to surges in delivery demand with very little ongoing cost. The built-in verification and parcel tracking in the system also ensure reliability down to and including the last mile of delivery. This is a key point as the customers of the global logistics companies are demanding visibility on freight through all links in the logistics chain.

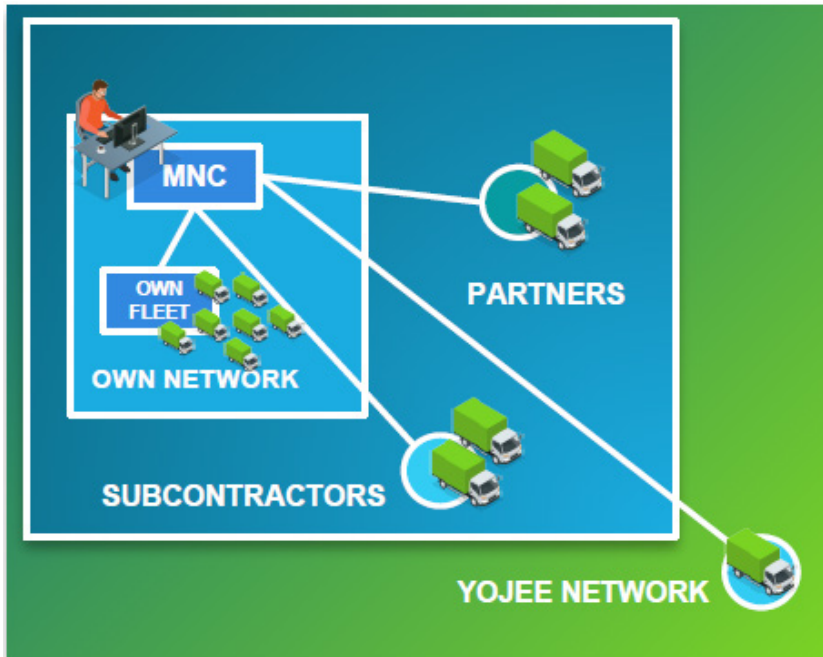
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The illustration below is a visual depiction of this concept:



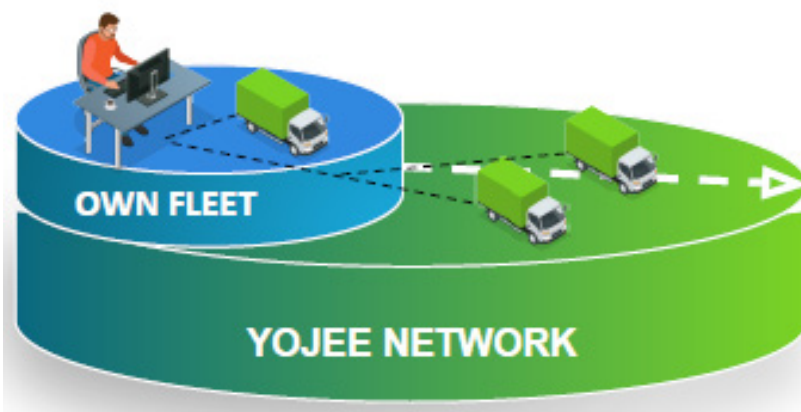
Source: YOJ AGM Presentation 28/11/2018

Why would a SME use YOJ software?

The scalability/network effect of the YOJ software can allow a small operator, like the majors, to essentially operate a virtual fleet of logistics assets outside of their existing footprint while maintaining visibility of parcels. The software effectively aids the decentralisation of the logistics business with local YOJ networks able to service larger contracts than without the software.

Additionally SME's can access more work flow through API's into local retailers as they become digitised.

The illustration below is a visual depiction of this concept:



Source: YOJ AGM Presentation 28/11/2018

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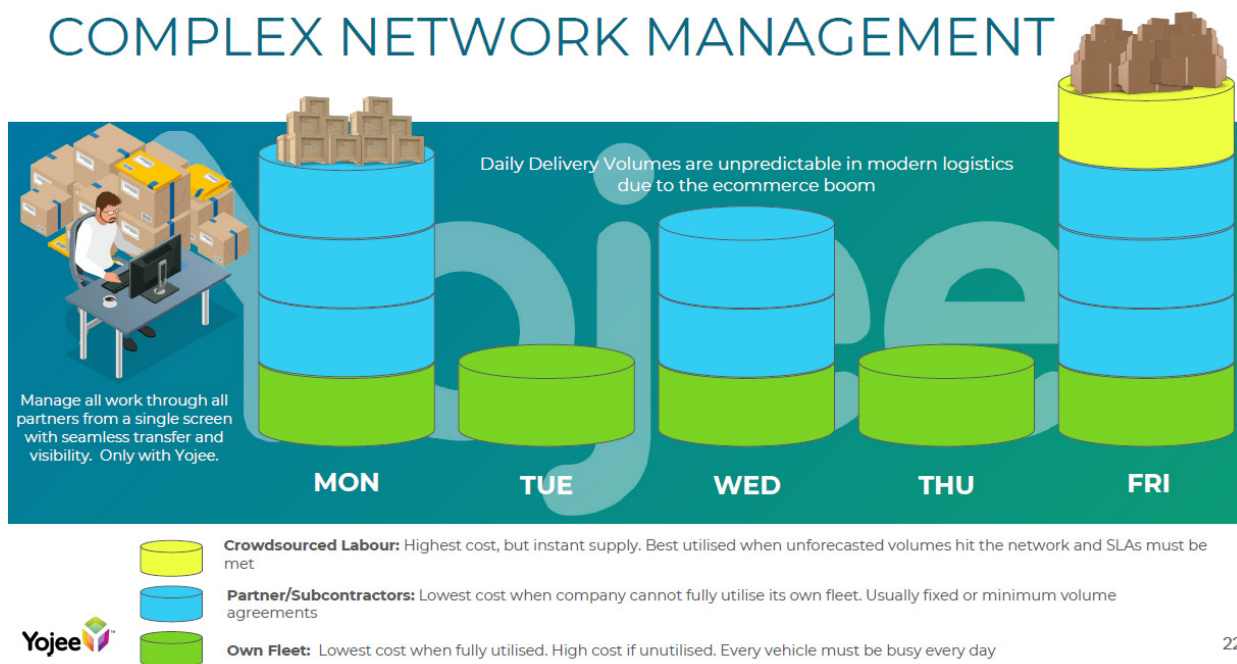
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Illustrated another way the graphic below depicts how a logistics company might manage their delivery commitments over a given week.

The key point being that the fluctuating volumes of ecommerce make it impossible for a single service provider to ever own enough vehicles to manage work internally. In other words, they must use partners.

COMPLEX NETWORK MANAGEMENT



22

Source: YOJ AGM Presentation 28/11/2018

Significant 3rd Party Agreements/Validation

If we buy into the concept of YOJ it is not a big leap to suggest that the software could have a significant impact on the industry should it be adopted on mass. The question that remains is will there be room for multiple players in the space or will another software provider beat YOJ to become the dominant application adopted by the industry.

In our view the recent SaaS agreement struck with leading global freight forwarding company, Geodis, is tangible evidence that YOJ is in the race.

Below we outline the details regarding YOJ's material commercial agreements to date.

Commercial SaaS Agreements

SaaS Agreement with Geodis - 15 May 2019

YOJ's most significant 3rd party agreement thus far was recently signed with Geodis. Geodis is a top 10 global forwarder looking to enhance cross border and land transport across the Asia Pacific region, in particular cross border trucking. Geodis is headquartered in France and employees over 41,000 people spread over a network spanning 120 countries. Geodis serves 165,000 customers and delivers around 100m parcels per annum. In 2018 the company generated over €8.2b in revenue.

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Details of the Geodis agreement are:

- 3 year master services Saas agreement with Geodis for domestic and cross border logistics in Asia Pacific
- YOJ will capture: setup, subscription, professional service and transaction fees on a project by project basis
- At the time of the agreement there was one project underway with others pending
- The agreement can be terminated by either side with 180 days notice

Saas Agreement with Landmark Group – 11 July 2019

Landmark Group is one of the largest retail and hospitality conglomerates in the Middle East, Africa, Asia and India comprising of 2,300 outlets in 22 countries. Landmark brands include Steve Madden, Nados and Babyshop

- Following a successful pilot of the YOJ software/network, Landmark have chosen to proceed with the use of YOJ software in Malaysia with a view to rolling out in other countries.

In addition to the commercial agreements outlined above YOJ has entered several development/collaboration agreements with significant players in the global logistics industry. These are outlined below.

Collaboration/Early stage Agreements

Software Partnership agreement with SILA – 23 January 2018

SILA are part of Sinotrans and CSC International Network, China's largest shipping and logistics company

- Initial two year software partnership agreement
- SILA provide door to door logistics for a variety of industrial products such as steel and chemicals etc
- SILA are looking to improve delivery visibility, dispatch optimisation and management of third party partners
- This project has now been rolled out across in Australia (Sales & Operations update 2018)

Services Agreement with DB Schenker – 22 May 2018

DB Schenker are a German based leading global logistics provider with operations in 2000 locations and around 72,000 employees globally

- Agreement between Schenker in Asia Pacific to begin to develop On-demand last mile delivery service platform
- DB Schenker have agreed to pay YOJ an undisclosed fee for project implementation of YOJ's last mile software
- Initial agreement was for 4 months

UPS Innovation Framework Agreement – 4 June 2018

- After signing the initial pilot program in March 2018 for blockchain applications YOJ entered a 12month collaboration framework agreement with UPS
- Work is conducted on a project by project basis

Agreement with Riverwood Logistics – 18th July 2018

Riverwood is a Singapore based logistics company servicing DHL, Fedex...

- 2 year with deliveries occurring immediately with a plan to collaborate to optimise and innovate between the two parties
- YOJ targeting US\$0.20 per transaction

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Financials

Forecasts

Forecasting revenue and earnings for YOJ at this early stage of the commercialisation of their software is inherently difficult. Consequently, our forecasts below should be taken as broad indication as to financial outcomes are possible for YOJ over time.

We note below what we understand to be YOJ's pricing structure:

YOJ Pricing Structure		
Saas		
Client Type	Units	
Multinationals	US\$/mth	50,000+
National Leaders	US\$/mth	10,000-50,000+
SMEs/Subcontractors	US\$/mth	2,000-10,000
Sole Traders	US\$/mth	100
Transaction Fees		
Average Transaction Fees	US\$/unit of freight	\$0.22

*Source: Oct'18 Investor Presentation

Geodis Rollout

The table below illustrates the key assumptions we have made surrounding what we believe could be the outcome of the Geodis SaaS agreement.

	Geodis Revenue Forecast	Units	FY'20f	FY'21f	FY'22f	FY'23f	FY'24f
	Currency	A\$/USD	0.71	0.71	0.71	0.71	0.71
	Saas Fees						
	Subscribers						
	Subcontractors*						
	TAM	#	1,500	1,500	1,500	1,500	1,500
	Average penetration	%	9%	28%	53%	73%	80%
	Average Subs	#	128	413	788	1,088	1,200
	Average Pricing	US\$/mth	500	500	500	500	500
A	Revenue	A\$m	1.1	3.5	6.7	9.2	10.1
	Hubs**						
	TAM	#	50	50	50	50	50
	Average penetration	%	9%	28%	53%	73%	80%
	Average Subs	#	4	14	26	36	40
	Average Pricing	US\$/mth	3,000	3,000	3,000	3,000	3,000
B	Revenue	A\$m	0.2	0.7	1.3	1.8	2.0
A+B=C	Total Saas Revenue	A\$m	1.3	4.2	8.0	11.0	12.2
	Network Fees***						
	Pricing Model						
	Average	US\$/unit	0.22	0.22	0.22	0.22	0.22
	GEODIS Parcels						
	TAM	#m	10	10	10	10	10
	penetration	%	9%	28%	53%	73%	80%
	Total parcels	#m	0.9	2.8	5.3	7.3	8.0
D	Total Network Revenue	A\$m	0.3	0.9	1.6	2.2	2.5
=C+D	Total Revenue	A\$m	1.6	5.0	9.6	13.3	14.6

* Subcontractors TAM broadly estimated from YOJ announcement and ESL assumptions; ESL estimation of average pricing based on lower end pricing structure.

** Estimated to be the number of Hubs Geodis operates in Asia region, source: Geodis website; ESL estimation of average pricing based on lower end pricing structure.

***Average pricing estimated in line with Oct'18 investors presentation and ESL estimates

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage**Key Points:**

- We forecast that the revenue opportunity for YOJ with Geodis tops out at ~A\$14.6m in FY'24
- The Geodis agreement is a 3-year master services SaaS agreement with Geodis for domestic and cross border logistics in Asia Pacific.
- We have estimated that Geodis services the Asia Pacific region via 50 'Hubs' (Geodis Website), which we assume manage ~1,500 subcontracts, and that they deliver ~10m parcels per annum (~10% of global parcels delivered by Geodis)
- We have assumed YOJ achieves 80% penetration of the Geodis Asia Pacific footprint by end FY'24
- We assumed SaaS pricing of US\$3000/mth for 'Hubs'; US\$500/mth for subcontractors which is at the low end of YOJ's publicly stated pricing structure
- We use an average parcel fee of US\$0.22/unit which is YOJ stated average (Oct'18 Inv. Pres.)

Income Statement

Below we provide our group forecasts to an EBITDA level out to FY'26.

Income Statement	Units	FY'20f	FY'21f	FY'22f	FY'23f	FY'24f	FY'25f	FY'26f
(+) Saas	A\$m	1.4	5.6	13.5	23.2	31.2	35.4	36.5
(+) Network Fees	A\$m	0.3	1.1	2.7	4.7	6.4	7.2	7.4
(+) Other	A\$m	-	-	-	-	-	-	-
Total Revenue	A\$m	1.7	6.8	16.2	27.9	37.5	42.6	43.9
(-) OPEX	A\$m	5.5	7.7	10.7	15.0	19.5	21.4	22.1
Reported EBITDA	A\$m	-3.7	-0.9	5.5	12.9	18.0	21.2	21.8
<i>EBITDA Margin</i>	%	-215%	-13%	34%	46%	48%	50%	50%

Source: ESL Assumptions

Key Points:

- The main driver behind our forecasts is the assumption that YOJ wins two more significant SaaS contracts in the medium term with size and terms that mirror our assumptions surrounding the Geodis SaaS agreement
- We forecast the first addition contract lands in 2H FY'20 and the second lands in 2H FY'21. This leading to revenue and earnings peak by FY'26
- Like revenue, the ultimate cost structure of YOJ is difficult to forecast at this time. At this stage we have forecasted long term EBITDA margins for YOJ of 50%, broadly in line with industry peers.

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage**Balance Sheet & Capex**

YOJ's FY'19a balance sheet is depicted below.

The company currently has no debt and the largest asset is the Intangible balance which reflects capitalised software development spend.

We anticipate YOJ to continue to burn cash in the medium term, for our forecasts we assume YOJ raises \$2m in FY'20. (ref. financial summary, pg 2)

BALANCE SHEET	FY'19
	Actuals
Current assets	
Cash	3.4
Receivables	0.1
Inventory	-
Other financial assets	0.1
Current tax assets	-
Loan receivables	-
Current assets	3.6
Non current assets	
Receivables	-
Property, plant and equipment	0.0
Goodwill	-
Other Intangibles	5.1
Other	-
Deferred Tax Assets	-
Non current assets	5.1
Total assets	8.7
Current liabilities	
Payables	0.3
Interest bearing liabilities	-
Provisions	0.1
Other	0.3
Current tax liabilities	-
Total current liabilities	0.7
Non current liabilities	
Payables	-
Interest bearing liabilities	-
Provisions	-
Deferred tax liabilities	-
Total non current liabilities	-
Total liabilities	0.7
Net Assets	8.0
Equity	
Contributed equity	25.1
Reserves	0.5
Accumulated profit / (losses)	(17.6)
Non controlling interests	-
Total equity	8.0

Source: YOJ Annual Report

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage

Our forecasts for YOJ's ongoing capitalised development and rollout costs are depicted below as a share of total revenue.

Capex		FY'19f	FY'20f	FY'21f	FY'22f	FY'23f	FY'24f	FY'25f	FY'26f
PP&E	A\$m	0.03	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Software	A\$m	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2
Total Capital Expenditure	A\$m	1.9	1.9	2.0	2.0	2.1	2.1	2.2	2.2
software % total revenue	%	106%	28%	12%	7%	5%	5%	5%	5%

Source: YOJ Annual Report/ESL Assumptions

Capital Structure

YOJ's fully diluted share structure including all options is outlined below:

Capital Structure		
Ordinary Shares	#m	853.4
Options ex price and timing		
15c unlisted jan 2020	#m	26.7
2c unlisted may 2021	#m	17.0
7c unlisted may 2021	#m	13.0
7c unlisted june 2020	#m	11.0
20c unlisted dec 2020	#m	2.5
Fully diluted Shares on Issue	#m	923.6

Source: YOJ 2019 Annual Report

If exercised these options will bring in \$6.5m in cash.

We use fully diluted SOI to calculate our valuation calculations.

Valuation

We initiate coverage on YOJ with a Spec BUY rating with a price target of \$0.13/sh

As stated in the financial section above, forecasting revenue and earnings for a company like YOJ at this early stage in the commercialisation is inherently difficult. Hence our Speculative BUY Rating.

Our valuation and investment view on YOJ hinges on the company's ability to maintain and land new SaaS agreements with other global logistics leaders comparable to Geodis.

We use a combination of a EV/Revenue multiple and NPV methodology to derive a blended price target for YOJ.

Blended Valuation			
Method	\$/sh	Weighting	\$/sh
EV/Revenue	0.14	50%	0.07
NPV	0.11	50%	0.06
Blended Total		100%	0.13

*Revenue is our forecast for full run rate of the Geodis contract only

Source: ESL Assumptions

EV/Revenue

To drive our EV/Revenue valuation we use what we forecast to be peak revenue for the Geodis SaaS Agreement only at full roll out, which we forecast to be \$14.6m and to occur in F'24, discounted back to today's dollars at a discount rate of 12%.

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage

In determining the multiple we applied to our YOJ forecast revenues we have used a cross section of ASX listed software companies that have proven business models in very large global markets that are currently experiencing stellar revenue growth. We argue that should YOJ land more significant customers in time similar multiples are possible, especially coming from such a low base.

Company	Ticker	Market Cap	Net Debt	EV	Revenue			3Yrf	EV/Revenue		
					FY'18a	FY'19a	FY'20f	CAGR	FY'18a	FY'19a	FY'20f
Wisetech Global Ltd	WTC	12,119.5	-258.9	11,860.6	221.6	348.3	467.4	45%	53.5	34.1	25.4
Xero Ltd	XRO	9,401.3	-96.5	9,304.8	375.7	516.3	678.6	34%	24.8	18.0	13.7
Altium Limited	ALU	4,851.0	-114.9	4,736.1	180.7	239.0	309.3	31%	26.2	19.8	15.3
Livetiles Limited	LVT	264.1	-22.4	241.7	5.7	18.1	37.4	156%	42.5	13.4	6.5
Elmo Software	ELO	436.3	-38.9	397.4	26.5	40.1	54.4	43%	15.0	9.9	7.3
Mean		5,414.4	-106.3	5,308.1	162.0	232.4	309.4	62%	32.4	19.0	13.6
median		4,851.0	-96.5	4,736.1	180.7	239.0	309.3	43%	26.2	18.0	13.7
Min		264.1	-258.9	241.7	5.7	18.1	37.4	31%	15.0	9.9	6.5
Max		12,119.5	-22.4	11,860.6	375.7	516.3	678.6	156%	53.5	34.1	25.4

Source: Bloomberg

Applying a forward 13.6x EV/Revenue multiple to our assumed peak Geodis Saas agreement revenue, discounted for time value we derive the following price target:

Geodis Contract Only - Peak Revenue in FY'24f		
EV/Revenue		
Revenue FY'24f	A\$m	14.6
FV Multiple	x	13.6
Enterprise Value	A\$m	199.2
Less: Net Debt (FY'24f)	A\$m	-20.9
Add: Unpaid Capital*	A\$m	8.52
Equity Value	A\$m	228.6
SOI*	#m	947
Equity Value	A\$/sh	0.24
Time value discounted	A\$/sh	0.14

Source: ESL Assumptions

*Includes unexercised options and assumed capital raise

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage**NPV**

The cashflows that drive our NPV are derived from our forecasts outline above in the financials section for the YOJ group.

NPV	2020	2021	2022	2023	2024	2025	2026
EBIT	-4.3	-1.7	4.5	11.7	16.6	19.6	20.0
(-) Tax	0.0	0.0	0.0	-3.1	-5.0	-5.9	-6.0
(+) D&A	0.6	0.8	1.0	1.2	1.4	1.6	1.8
(-) Capex	-1.9	-1.9	-2.0	-2.0	-2.1	-2.1	-2.2
(-) Δ NWC	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
FCFF	-5.8	-2.8	3.5	7.8	11.0	13.2	13.7
Period	1	2	3	4	5	6	7
Discounted FCFF	-5.5	-2.4	2.7	5.3	6.6	7.1	6.5

Source: ESL Assumptions

We use a discount rate of 12% and a terminal growth rate of 3%.

NPV of Forecasted FCFF	20.28
Terminal FCFF	13.7
TGR	3%
PV of TV	74.8
EV	95.1
(-) Debt	0
(+) Cash	3.4
(+) Unpaid Capital*	8.52
Diluted Equity Value	107.0
(/) Diluted Shares out.*	947.1
YOJ	0.11

Source: ESL Assumptions

*Includes unexercised options and assumed capital raise

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage

Board and Management

ED CLARKE - CO FOUNDER AND MANAGING DIRECTOR

Ed has led Sales and Marketing and raised funding from Asia and Silicon Valley with two successful Asia Pacific Based startups taking innovative blue ocean technology platforms to market in areas such as Real-Time Communication, Big Data Marketing and E-Commerce.

CARL HEMUS - CHIEF OPERATING OFFICER

A logistics industry veteran with startup success, Carl has held senior positions at DHL eCommerce, DX Network Services, and the Brandpath Group, with a wealth of experience leading teams across the Middle East and Asia.

VIVEK GUDAPURI - CHIEF TECHNOLOGY OFFICER

Vivek built technology stacks from scratch to success for various VC backed companies in the Logistics and Fintech space including Singapore Post Group. Since joining Yojee Vivek built an enterprise grade technology team and deployed the future ready v2.0 platform.

CIARÁN GUNNE - CHIEF FINANCIAL OFFICER

Ciarán is an FCCA qualified CFO with 15 year's experience mainly in investment banking and consulting. Ciarán has spent most of his career working in a variety of finance management positions with Accenture in Europe and Barclays in Asia.

RAY LEE - CHAIRMAN

Ray is a well respected port management executive with over forty years international logistics and shipping experience. As a former Director of DP World Australia he played a key role leading DP World's Australasian port operations.

GARY FLOWERS - NON-EXECUTIVE DIRECTOR

Mr Flowers started his career as a lawyer and was soon promoted to the National Managing Partner of Sparke Helmore. During his tenure, he grew the firm by over 600%, taking it from being an NSW based firm to having a national profile and claiming a top 10 ranking in Australia. Following an international search for a new Managing Director, Mr Flowers joined the Australian Rugby Union in 2004. In 2006, he accepted a dual role as Chief Executive Officer for SANZAR. Mr Flowers joined Mirvac Group (ASX: MGR) in 2008 as Chief Operating Officer. Mr Flowers currently serves in the capacity of Chairman for Mainbrace Constructions Pty Ltd, DataDot Ltd, NSW Institute of Sport and EMM Consulting.

SHANNON ROBINSON - NON-EXECUTIVE DIRECTOR

Ms Robinson is a former corporate lawyer and corporate advisor with over 10 years' international experience in providing general corporate, capital raising, transaction and strategic advice to numerous ASX listed and unlisted companies.

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage

Risks

We rate YOJ as a Speculative BUY. This implies that our forecasts are based on many assumptions regarding future adoption of the YOJ software. At this early stage of commercialisation of the YOJ software it is impossible to accurately forecast the rate or ultimate degree of adoption. As we have stated in the financial section our forecasts are a guide as to the potential financial outcomes from YOJ should a certain adoption scenario play out.

Aside from the inherent variability of our forecasts versus actual financial outcomes the following risks may negatively impact the valuation and/or earnings of YOJ:

Key Client Risk

Our investment thesis is centred around the premise that the Geodis contract provides credible third party validation of the YOJ technology and a path to material revenue for YOJ. While the Geodis relationship is a commercial contract, Geodis has the option to terminate its contract with a 180 days' notice. Should Geodis terminate the contract it would have a material negative impact on our view with regard to YOJ's valuation but also the utility of the YOJ software.

Funding/Dilution Risk

With cash balance of \$3.4m as at end June 2019 and a business that is currently cashflow negative, the ultimate timing of adoption of the YOJ will have a significant bearing on whether YOJ requires additional equity raisings to fund the ongoing business and the magnitude of any potential raising.

Technology risk

The YOJ software is at the very early stages of commercialisation in what is a huge and globally competitive market. Should a competitor or industry participant produce a superior software product or other means to provide a similar service the YOJ software could become obsolete.

Competition Risk

YOJ could suffer from price competition from a software solution with a similar or even inferior capability to that of YOJ. This will negatively impact YOJ's ability to achieve market penetration.

Personnel Risk

The loss of key management and/or operations staff from YOJ could cause a negative impact to the business and the market perception of YOJ.

Economic Risk

YOJ's software is subject any negative economic forces that may affect their core markets in south east Asia.

Sovereign Risk

YOJ operates in several countries and is exposed to sovereign risk in those geographies.

Other Risks

Like many software companies YOJ is responsible for processing third party data. YOJ is subject to the risk of a data breach and other cyber security threats such as the theft of IP and/or trade secrets.

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Yojee Ltd

(YOJ \$0.09) Speculative Buy - Initiation of Coverage

Top Shareholders

Rank	Shareholders	Shares (m)	Held(%)
1	Reef Investments Pty Ltd, Asset Management Arm	53.57	6.32
2	The Twentieth Century Motor Company Pty Ltd	45.20	5.33
3	Euroclear PLC, Asset Management Arm	42.04	4.96
4	Ravenhill Investments Pty Ltd., Asset Management Arm	38.90	4.59
5	Stephen Anastos	35.73	4.22
6	Shannon Robinson	27.90	3.29
7	Thorney Technologies Ltd	25.23	2.98
8	Chai Tien	25.00	2.95
9	Ninety Three Pty Ltd	24.00	2.83
10	TIGA Trading Pty Ltd, Asset Management Arm	22.16	2.62
11	Ice Cold Investments Pty Ltd	13.00	1.53
12	Keith Sheppard	8.72	1.03
13	Occasio Holdings Pty Ltd	7.47	0.88
14	Invictus Capital Pty Ltd.	7.20	0.85
15	Glenise Henderson	6.73	0.79
16	Jasforce Pty Ltd.	2.58	0.30
	Top 16 total	385.42	45.48
*As of 31/08/2019			
Source: IRESS			

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